

EXHIBIT 4
TO KRAVIS DECLARATION
PUBLIC-REDACTED VERSION

**Boosting Top Game Developer Support
&
Securing Play Distribution on Samsung Devices**

April 9, 2019

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Executive Summary

Context & Mobile Gaming Trends

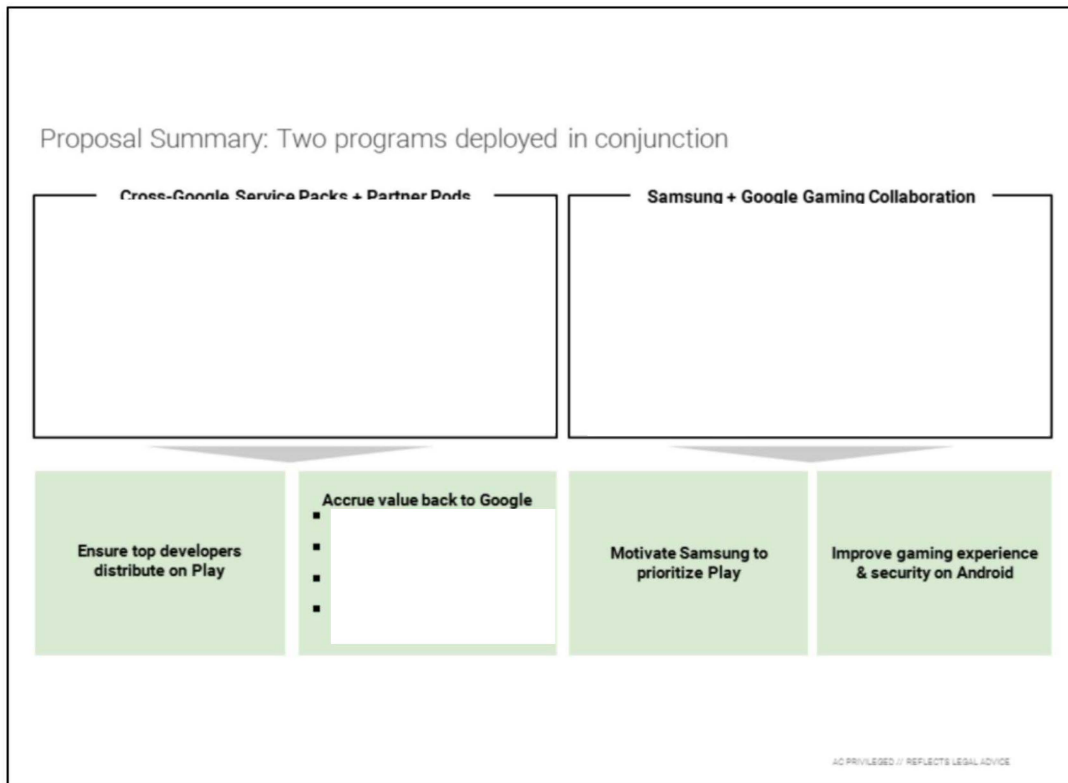
Risks

Program Proposals

1. Top Game Developers
2. Samsung

Financial Summary

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Both programs are needed

Need to invest in top devs now to ensure imminent launches happen on Play and reduce noise

Samsung is aggressively pursuing gaming, and indicated they're open to partnering with us (but a deal will take time to negotiate and implement)

Note: We're also beginning to explore ways to reduce 'app store tax' sentiment across the developer ecosystem, via new business model concepts

Context

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Play's business is concentrated among top developers, and on Samsung devices

The loss of top developers, either to competitors or by 'going-it-alone' on Android, would significantly impact Play's business


*Tencent investment

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- HVUs: [redacted] of buyers spend [redacted] of app & game spend
- Samsung concentration of [redacted] reflect 2018 actuals. Concentration is even higher in few key Play markets, eg, KR

Recent ecosystem trends


Competitors Aggressively Pursuing Gaming




- Homescreen icon on S10
- **20% rev share**
- Pursuing top titles (exclusives and co-list)



- Launching app store in 2019/20
- **12% rev share (on PC)**
- New \$100M developer fund (no strings)
- Pursuing **exclusive** content & winning on PC



- **20% rev share**
- Allows 3P billing (**5% rev share**)
- Partnered w/ Samsung in KR




- Funding in-app purchase discounts (up to 20%) to attract users

*Tencent investment

"App Store Tax" Meme Emerging

Apple and Google Face Growing Revolt Over App Store 'Tax'

Opinion: Google's 30% cut of Play Store app sales is nothing short of highway robbery



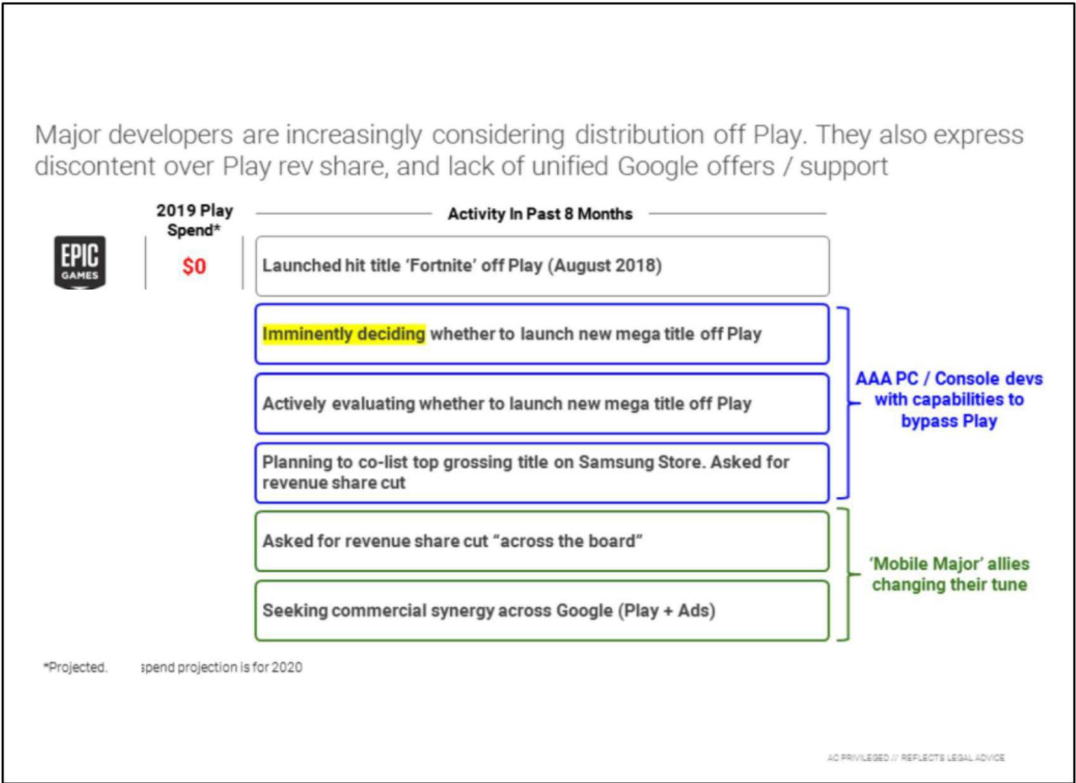
APPLE IMPOSES A DISCRIMINATORY 30% TAX

Apple taxes competitors to advantage their own services

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TWO PROPOSALS

Top Developers

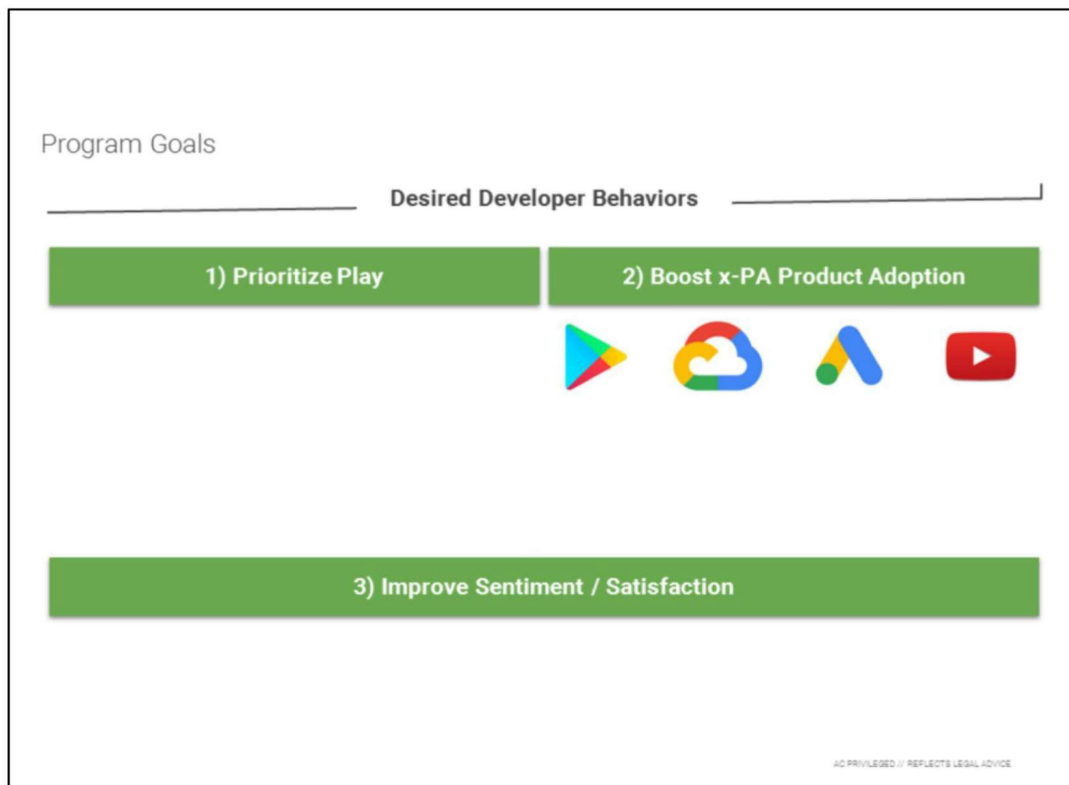
Samsung

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Proposal: Unify and boost Google's value proposition to target developers, via expanded offers and service level



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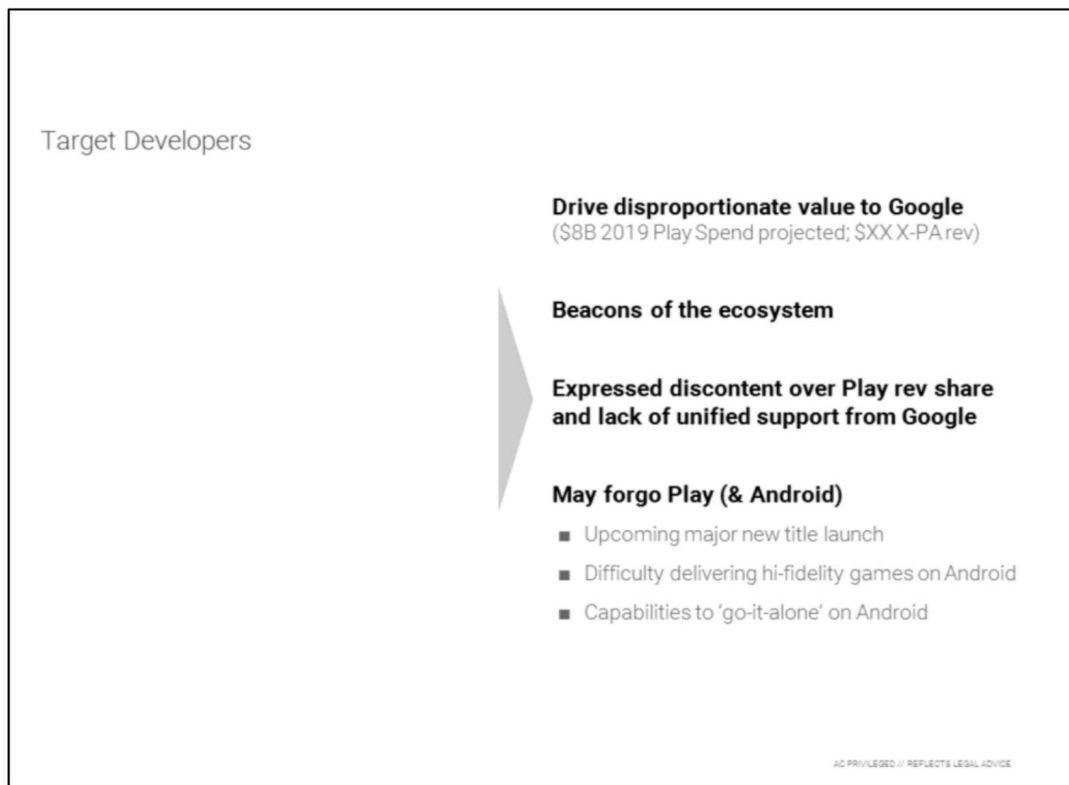
Improve sentiment about (1) Play revenue share, (2) building high-fi games for Android, and (3) Google's gaming value proposition
Android: reduced app distro fragmentation

Cross-Google Service Pack Offering (Program Details & Asks)

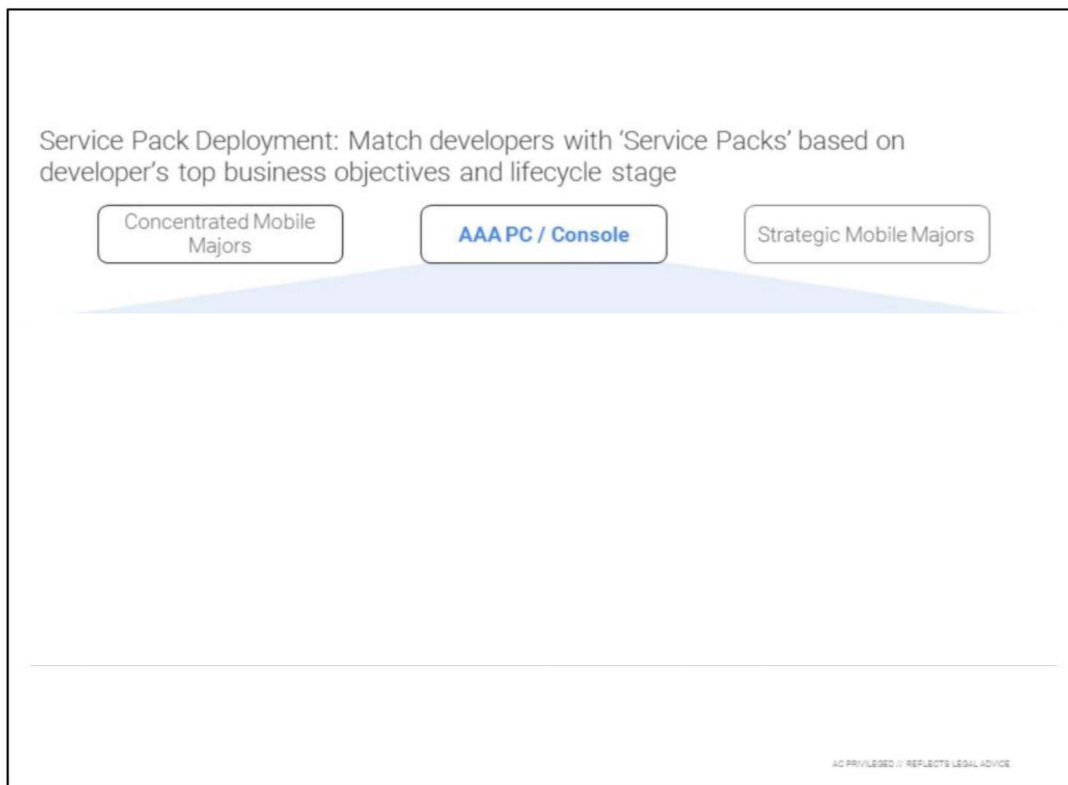
Offer to Developer

Primary PA Success Metric

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[Dev List](#)



More developers

-Piloting Build & Test & Launch packs with → good early traction

Value to Dev by Service Pack (2020 view)

Value to Developer

Google P&L Cost

HC

(Excluded in Court)

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3-year Value to Developer exceeds P&L cost*

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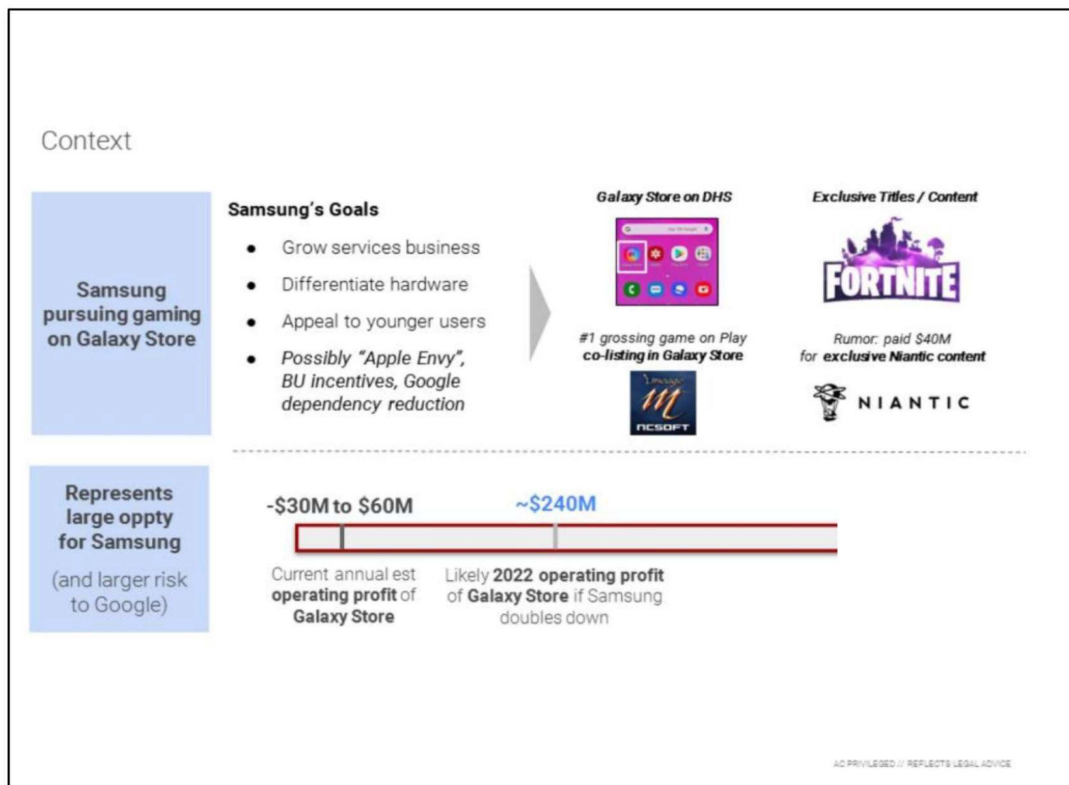
**Note that
P&L cost starts exceeding Cost to deliver value in 2020 & 2021 as
increases**

TWO PROPOSALS

Top Developers

Samsung

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Jamie / Jim

Proposal: strategic collaboration that advances Samsung goals, promotes Play on Samsung devices, and improves Android gaming experience

Financial Gives	<ul style="list-style-type: none"> • Ads rev share from syndicated Google Ad products • Co-marketing opportunities for Samsung-exclusive content and deals • Up to \$10M in 'Play Points' discounts for 1 year for Samsung phone buyers • Up to \$60M annual payment for 4 years
Google Gets	<ul style="list-style-type: none"> • Play hosts Galaxy Store games/apps, and provides billing, security, and updates • Play and Galaxy Store are only app stores on Default Home Screen • Samsung adheres to Android Gaming Standards

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- We want to collaborate with Samsung and bring multiple levers (not just cash) to the table. Some levers are win-win (
- Upfront cash payment is needed to address their Galaxy store P&L. We are anchoring on the range of net profit that we estimate Galaxy store makes
- Potential upside from ads syndication would be lucrative for both Samsung and Google (size depends on how much Samsung is willing to partner wrt surfaces & ads targeting parameters). Samsung does not need to build its own large sales team and court devs. Can participate in the upside as several large publishers do today.
- Marketing opportunities:
- Playpoints:

**Financial Summary
& Risks**

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Ask to BC: Initial Approval of Top Dev Service Packs (including _____),
and 4 year Samsung deal

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Risks and Mitigation

	Risks	Mitigation
Top Developer Support	Contagion to other developers Other developers ask for increased support	
	x-PA execution & operational complexity Google historically hasn't flexed 'One Google' muscle. Title launch dates are also volatile	
Samsung	Samsung reverts to 1P store backend after deal expires	
	Erode Play brand & user loyalty	

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Appendix





Marketing line includes
marketing spend

and also accounts for incrementality from

Developer Service Pack + Samsung deal would mitigate most of the risk

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Net Value: Mitigation - Investment

Risk builds over time

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Play Revenue = Apps & Games + Ads on Play

2019 Assumptions:

Epic Store to launch Q4 2019

Risk from Samsung and Amazon store already underway with existing stores and already known co-listing of top developers ()

A couple of partial exclusives off-play expected to occur in 2019

Play would still retain at least ~50% of the top developers in 2019 with most likely defection of top developers ramping up to 100% in 2020

<https://docs.google.com/spreadsheets/d/1e7ZzdGpYZJIEhOIESEvrYINZ-M-6wptQwT8Alxyf4Ns/edit?ts=5c807718#gid=1323652187>

Hypothetical Hug and Samsung, Hug wound down after year 2

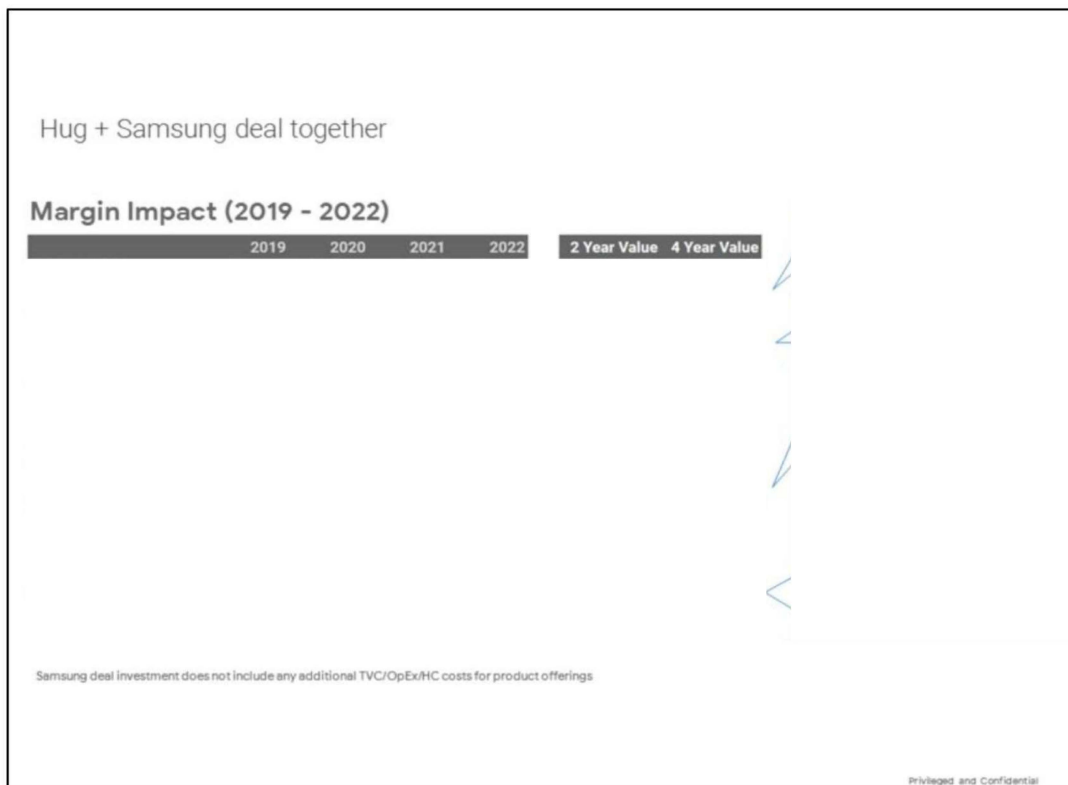
Margin Impact (2019 - 2022)

Samsung deal investment does not include any additional TVC/OpEx/HC costs for product offerings

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Source sheet:

<https://docs.google.com/spreadsheets/d/1e7ZzdGpYZJIEhOIESEvrYINZ-M-6wptQwT8Alxyf4Ns/edit?zx=5yg339kwdcpm#gid=1323652187>



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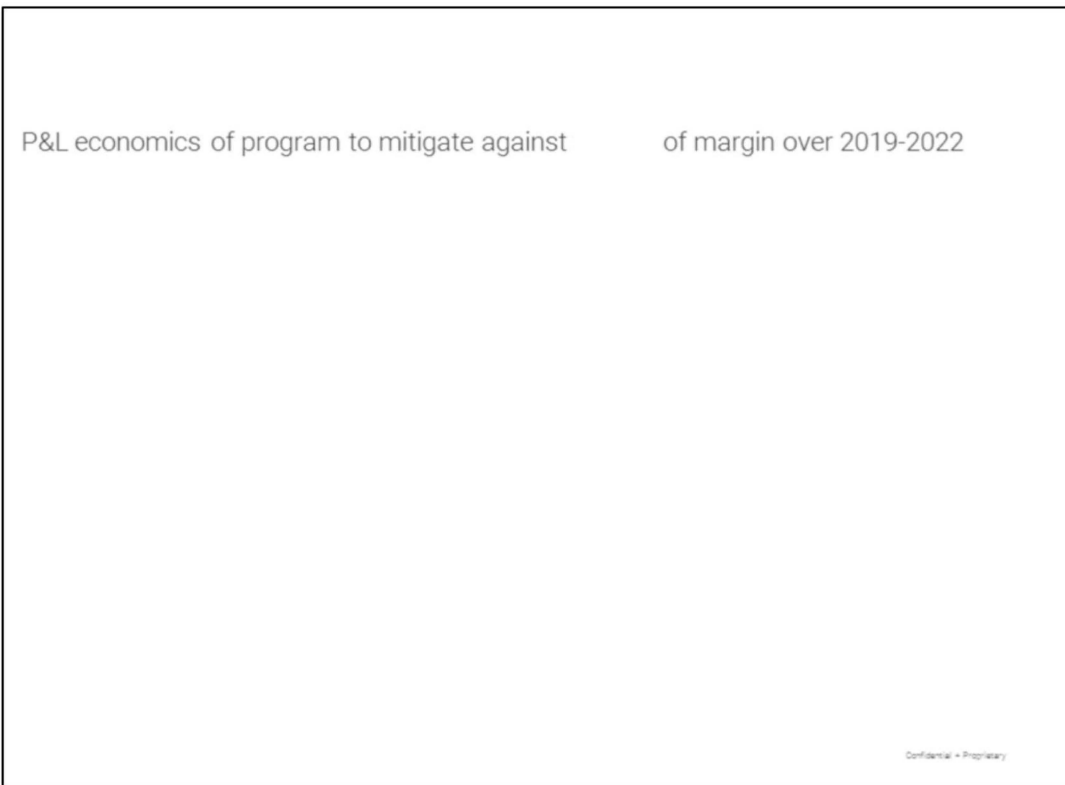
Hug only (no Samsung deal)

Margin Impact (2019 - 2022)

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Source sheet:

<https://docs.google.com/spreadsheets/d/1e7ZzdGpYZJIEhOIESEvrYINZ-M-6wptQwT8Alxyf4Ns/edit?zx=5yg339kwdcpm#gid=1323652187>



Marketing line includes
marketing spend

and also accounts for incrementality from



Developer Value View

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Developer List

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Developer Eligibility Criteria and Obligations

**Developer
Eligibility**

**Developer
Obligations**

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Ads SVAs for Hug Devs: and FTE

for Hug devs:

What about Unknown Sources?

- **Developers have choice on Android (key distinction from Apple). Changes to 'Unknown Sources' create legal / regulatory challenges**
- **We want developers to actively choose Google, and we want happy customers**
- **Risk still remains even with changes to Unknown Sources**
 - Worse developer sentiment; "app store tax" meme acceleration
 - Alternative stores can still be preloaded
 - Sideloaded remains

Epic / Fortnite

Fortnite is active on ~6M Android devices

We estimate Fortnite would have been substantially more successful had they launched on Play

However, other developers might follow Epic's path for various reasons:

- Every developer that follows Epic's path & launches on the Epic store will have less friction & a larger addressable user base than title before it.
- Developers can afford to take a ~20% performance hit on Epic store (due to 88% rev share) and still break-even. Or a ~30% hit in performance if they decide to go-it-alone.
- Developers place value on owning the entire customer relationship beyond what we assessed in our short-term analysis of Fortnite performance.
- PC / Console developers that have long term relationships with their customers already have a good knowledge of which users drive spend. They can directly convert those players over to the mobile version.
- Tencent ownership of influential developers might bias their choices.

Play Concentration

2019 Projected Play Spend =



To achieve our “gets” and help Samsung’s goals, we recommend a set of Product and Financial “gives” based on guiding principles

Product

Financial

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PRODUCT OFFERS – Play as backend to Galaxy Store frontend

Play backend to Galaxy Store frontend - how it would work

Overview

- **Surface area:** All Samsung-owned surface areas that facilitate download of Android mobile apps, including Galaxy Store and Game Launcher
- **Catalog:** Apps with unique functionality or offers for Samsung users
- **Store layout:** Samsung continues to curate content and do top-level promotion

Risks and Mitigations

Lost Play Ads revenue due to shift of Play users to Galaxy Store

Mitigation:

Play brand dilution

Mitigation:

Samsung reverts to 1P backend and promotes Galaxy Store after deal expires

Mitigation:

- [REDACTED]
- [REDACTED]

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FINANCIAL OFFERS – Lumpsum Payment

Likely 2019 net profit of Galaxy Store: -\$30M to \$60M profits*Based on extrapolating public estimates of Samsung's Korean app business***Assumptions****Samsung revenue share is 20-30%**

- \$24-35M Samsung net revenue in KR

250 HC OPEX to run the store

- Roughly 15% size of Play team

Ads revenue: ~\$10M

- Based on impressions and CTR data shared by Samsung at GDC

Source: Korean [industry articles](#); Samsung Galaxy Apps [partner program](#), Play Finance [Galaxy Store profit model](#)[Link to overall proposal](#)

Global estimate, \$M	Low	High
Galaxy Store Consumer Spend	\$360	\$545
Galaxy store revenue (20-30% of spend)	\$70	\$165
Payment processing cost (~3% of spend)	-\$10	-\$15
Operating cost (~250 HC)	-\$100	-\$100
Net profit (IAPs only)	-\$40	\$50
Ads revenue	\$10	\$10
Total net profit (incl Ads)	-\$30	\$60

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FINANCIAL OFFERS – Play Points

Integrate Samsung with
user engagement

to help drive Samsung device sales and

Proposal

Details

Considerations

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